Manulife
Insurance

CHARITABLE GIVING

Help protect our environment, feed the children, fight cancer or heart disease

A gift of life insurance can benefit your favourite charity in a way that could go beyond your wildest dreams.

Here's the dilemma…

Each year, government funding to registered charities in Canada continues to be dramatically reduced. This leaves many of these charities in precarious financial situations, facing the reality that they may be unable to maintain the same level of service in the future. There has never been a better time for private and corporate citizens to offer their support by making a charitable donation.

What is the opportunity?

Many people would like to donate more to their favourite charity but feel financially unable to do so. Life insurance can help. Life insurance increases the size of your gift to the charity you've chosen and it provides you, the donor, with significant tax benefits.

How does it work?

You have a number of choices when you give a gift of a life insurance policy to a charity. You can purchase the insurance yourself and name the charity as beneficiary. Or, you can own the policy yourself and name your estate as beneficiary and provide direction in your Will to gift the funds. You may also choose to make the charity the owner of the insurance policy outright with you paying the premiums on the charity's behalf. Each of these options provides the charity with the policy's proceeds when you die.

What are the benefits to you?

Not only will you achieve peace of mind knowing your gift will make a difference, but you will also receive tax benefits. If you purchase the insurance policy and name the charity as beneficiary or have your estate gift the insurance proceeds to the charity, the charity will issue a charitable receipt when it receives the funds. If the charity owns the policy and you make the premium payments on the charity's behalf, the charity will issue a charitable receipt each year for the amount you pay. In both situations, you can use the receipt on your tax return to reduce the amount of tax you pay.

Please turn over to see an example of how life insurance can be used to enhance the size of your gift to your favourite charity.

Case Study

Mrs. Jones makes frequent donations to her local hospital. Even though she gives regularly, she would also like to give the hospital a "special gift" of $100,000 upon her death. Life insurance is an effective way to plan for this gift.

The Insurance Solution	
Mrs. Jones' personal information	Female, 64, non-smoker
Insurance product	Manulife UL, Level Cost of Insurance
Assumed interest rate	0.00%
Death benefit	$100,000
Personal tax rate	45%
Assumed life expectancy	Age 88

The cost of the life insurance is $221 per month. By using life insurance, Mrs. Jones has guaranteed the hospital will receive the $100,000 gift when she dies.

As an alternative to life insurance, Mrs. Jones could invest the $221 per month into an interest bearing taxable investment. Assuming she lives to her life expectancy, the taxable investment would need to earn in excess of 6.25% annually over the next 24 years in order to provide the same $100,000 gift. Unlike the life insurance solution, the alternative taxable investment solution is not guaranteed.

How to make your gift last

There are three different ways to donate a life insurance policy to a charity. The following chart summarizes the tax benefits associated with each alternative:

Owner of the policy	Beneficiary	Premium payor	Charitable tax credit derived from:
Charity	Charity	Mrs. Jones	Premium
Mrs. Jones	Charity	Mrs. Jones	Death benefit
Mrs. Jones	Estate	Mrs. Jones	Death benefit

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